

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
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R 061140Z JUL 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 4985

INFO AMEMBASSY DAMASCUS

C O N F I D E N T I A L CAIRO 9103

EXDIS

E.O. 11652: GDS

TAGS: PFOR, EG, US

SUBJECT: ARAB BOYCOTT: FORD

REF: (A) STATE 162211, (B) CAIRO 8982

1. WHEN WITH FAHMY IN ALEXANDRIA, JULY 5, I DREW HIS ATTENTION TO MAHGOUB'S UNHELPFUL STATEMENTS ON FORD AND COCA-COLA. I RECALLED GOE'S EFFORTS TO GET BOYCOTT LIFTED ON THESE TWO FIRMS AND HIS EARLIER ASSURANCES TO ME THAT MAHGOUB COULD BE CONTROLLED. FAHMY INSISTED MAHGOUB SHOULD BE IGNORED. WHEN EGYPT WANTS TO GO AHEAD, IT WILL DO SO.

2. THEN, HOWEVER, FAHMY LAUNCHED INTO A STRONG ATTACK ON THE FORD RPROJECT. HE HAD BEEN INFORMED BY THE PRIMIN THAT FORD INTENDS TO INVEST ONLY \$1 MILLION OF ITS OWN MONEY. THE REST WILL HAVE TO BE GOTTEN FROM WESTERN OR ARAB SOURCES. THERE HAD EVEN BEEN SUGGESTIONS THAT GOE WAS EXPECTED TO OBTAIN THE ADDITIONAL ARAB CAPITAL. SUCH A CONCEPT WAS NONSENSICAL. GOE HAD INDEED UNDERTAKEN TO GET FORD OFF THE BOYCOTT, BUT IT CAN HARDLY BE EXPECTED TO INCUR THE POLITICAL RISKS OF LEADING SUCH AN ACTION FOR A \$1 MILLION FORD INVESTMENT AND THE SMALL FORD PLANT ALREADY HERE. GOE WILL LOOK FOOLISH DOING SO. MOREOVER, IF OTHER ARAB COUNTRIES ARE IN FACT INTERESTED  
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IN HAVING FORD PROJECT, AS FORD PEOPLE TOLD EGYPTIANS,

GETTING ARAB CAPITAL FOR A PROJECT IN EGYPT IS  
GOING TO BE DIFFICULT.

3. HE, FAHMY, HAD THEREFORE ORDERED THE PROJECT  
"STOPPED". THE SCHEDULED JUNE 6 AL SPECIAL COMMITTEE  
MEETING IN DAMASCUS HAD NOT BEEN HELD BECAUSE GOE  
REFUSED TO SEND A REPRESENTATIVE IN VIEW OF THE BAD  
RELATIONS BETWEEN EGYPT AND SYRIA AT THAT TIME. IF  
GOE IS TO PUSH THE FORD BOYCOTT ISSUE, FORD MUST COME  
IN WITH AN INVESTMENT OF ITS OWN OF \$300 MILLION.

4. I TOLD HIM ABOUT TECHNICAL TALKS WHICH, AT EGYPTIAN  
INSISTENCE, HAD FOCUSED ON INLAND PROJECT.  
RECENTLY RULES HAVE BEEN CHANGED IN THE MIDDLE OF THE  
GAME AND GOE WANTS FREE ZONE PROJECT. FAHMY ARGUED  
THAT SADAT AND HE HAD ALWAYS, FOR POLITICAL REASONS, HAD  
IN MIND A FREE ZONE PROJECT. THIS WOULD EASE THE BOYCOTT  
PROBLEM. HE COULD NOT UNDERSTAND HOW "THE IDIOTS ON  
THE TECHNICAL COMMITTEE" COULD HAVE SUGGESTED OTHERWISE.

5. COMMENT: FOR THE FIRST TIME FAHMY WAS NEGATIVE ON  
THE FORD PROJECT. HIS GROUNDS ARE WHAT HE REGARDS  
AS AN INADEQUATE EQUITY INVESTMENT ON THE PART OF  
FORD IN THE PROPOSED PROJECT. HIS ARGUMENT IS THAT SO  
SMALL AN INVESTMENT IS NOT COMMENSURATE WITH THE  
POLITICAL RISKS INVOLVED IN TRYING TO GET THE BOYCOTT  
LIFTED. THE \$300 MILLION FIGURE HE DREW OUT OF THE AIR  
AND SHOULD NOT BE TAKEN TO MEAN ANYTHING MORE THAN  
GOE'S INSTANCE FORD MAKE A SUBSTANTIVELY LARGER  
INVESTMENT IN PROJECT THAN COMPANY NOW CONTEMPLATES.  
NOTHING WHATSOEVER WAS SAID ABOUT THE MATTER OF WAIVING  
PROVISIONS OF LAW 43. FORD REPRESENTATIVES SHOULD  
EXPECT TO BE HIT ON THIS MATTER WHEN THEY ARRIVE. EILTS

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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** BOYCOTTS, BUSINESS FIRMS, NEGOTIATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 JUL 1976  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ElyME  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976CAIRO09103  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760259-1056  
**From:** CAIRO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760789/aaaadaij.tel  
**Line Count:** 94  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION SS  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** EXDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** EXDIS  
**Reference:** 76 STATE 162211, 76 CAIRO 8982  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 03 JUN 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <03 JUN 2004 by BoyleJA>; APPROVED <06 OCT 2004 by ElyME>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ARAB BOYCOTT: FORD  
**TAGS:** PFOR, EG, US, FORD  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006